

**HB**

**315**

<target><bill>HB 315</bill><subject>HB  
315</subject><comm>SFIN26</comm></target>

# ALASKA STATE LEGISLATURE

## REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources

Session: January – April  
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Official Business

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### Sponsor Statement HB 315 – Public Accounting

Today's businesses often have locations in multiple states and compliance responsibilities in multiple jurisdictions. Forty-five states recognize this fact and allow Certified Public Accountants (CPAs) the mobility necessary to operate in such a climate. Alaska does not. Certified Public Accountants licensed and located in another state are barred from serving clients in Alaska without obtaining a license and registering with the Alaska State Board of Public Accountancy.

House Bill 315 would change this fact, updating Alaska's uniform accountancy statutes to allow for CPA mobility. Mobility is the ability of a licensee to gain a practice privilege outside his principle place of business without additional licensing or fees. It allows licensed CPAs and CPA firms to practice across state jurisdictions with greater ease and is key to keeping Alaska's CPAs and CPA firms nationally competitive.

In addition to allowing for greater mobility, HB 315 alters the ownership requirements for public accounting firms. The accounting profession consists of more than just CPAs, non-CPA professionals often provide vital services for accounting firms. While these non-accountants enhance the firm's ability to serve their clients, Alaska law bars them from having any ownership in a CPA firm. Under current state law, public accounting firms can only be owned by CPAs. Alaska is one of only five states with such stringent requirements; most states allow non-CPAs to own a minority interest. House Bill 315 brings Alaska into line with the vast majority of states which allow non-CPAs to have minority ownership in CPA firms. Such a change puts Alaskan CPA firms on equal footing with those firms practicing in Alaska under out-of-state permits.

Passage of HB 315 will allow consumers to receive timely services from CPAs best suited for the job, regardless of location and without the hindrance of filings, forms, and increased costs that currently typify the system. The bill will ensure that CPA firms in the state are able to provide the best services to their clients and remain competitive with non-Alaskan firms operating in the state under out-of-state permits.

I respectfully ask for your consideration of this bill and look forward to hearing your questions and concerns.

Email: [Representative\\_Kurt\\_Olson@legis.state.ak.us](mailto:Representative_Kurt_Olson@legis.state.ak.us)

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/2/10

FURTHER: Rules

DATE TURNED  
IN TO OFFICE: 4/14/10

Finance Committee considered HOUSE BILL NO. 315

HB 315 PUBLIC ACCOUNTING

"An Act relating to public accounting; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS HB 315 (F, A)
- adopt previous  SCS or  CS SCS/CS- Forthcoming
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

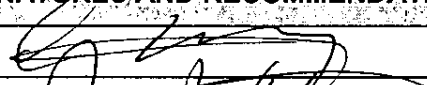


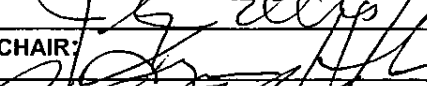



**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet	Zero	FN#
CEO	4/13	✓			2

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	HUGGINS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	EGAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	OLSON	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	ELLIS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CO-CHAIR: 	HOFFMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CO-CHAIR: 	SEDMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SCS for HB 315  
( ) Publish Date: \_\_\_\_\_

Identifier (file name) HB315SCS(FIN)-CED-CBPL-4-13-10 Dept. Affected: DCCED  
Title Board of Public Accountancy Secretary RDU Corp, Bus, & Prof Licensing (117)  
Component Corp, Bus, & Prof Licensing  
Sponsor House Labor and Commerce  
Requester Senate Finance Committee Component Number 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services	111.7		111.7	111.7	111.7	111.7	111.7	111.7
Travel	7.5		7.5	7.5	7.5	7.5	7.5	7.5
Contractual	4.0		4.0	4.0	4.0	4.0	4.0	4.0
Supplies	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Equipment	10.0							
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>134.2</b>		<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>
<b>CAPITAL EXPENDITURES</b>								
<b>CHANGE IN REVENUES ( 1156 )</b>								

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other RSS (1156)	134.2		124.2	124.2	124.2	124.2	124.2	124.2
<b>TOTAL</b>	<b>134.2</b>		<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>	<b>124.2</b>

Estimate of any current year (FY2010) cost: 0.0

**POSITIONS**

Full-time		1	1	1	1	1	1
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

This bill amends the public accounting statutes to provide for out-of-state exemption and practice privileges in Alaska.

HB 315 also establishes an executive Secretary position for the Alaska Board of Public Accountancy.

The funding source for this position is Receipt Supported Services through licensing fees paid by CPAs under the self-sufficiency statute of AS 08.01.065.

A detailed explanation of the cost is attached.

Prepared by: Jennifer Strickler, Division Operations Manager Phone (907) 465-2144  
Division Corporations, Business & Professional Licensing Date/Time 4/13/10 11:52 AM  
Approved by: Emil Notti, Commissioner Date 4/13/2010  
Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. SCS for HB 315

**ANALYSIS CONTINUATION**

**Personal Services** **\$111,739.00**

Provides for an Executive Secretary in the partially exempt service,  
full-time position, Range 23

**Travel** **\$ 7,500.00**

Provides for 4 Board Meetings @ \$1,000 per meeting,  
except in Juneau \$3,000.00  
Provides for Out-of-State travel @ \$1,500.00 x 3 \$4,500.00

**Contractual** **\$ 4,000.00**

Basic annual chargeback costs per employee  
(mailroom, communications, computer access, inter-departmental support costs)

**Commodities** **\$ 1,000.00**

Basic annual desk top supplies

**Equipment (one-time costs)** **\$ 10,000.00**

- Office furniture \$5,000.00  
- Computer \$4,000.00  
- Telephone \$1,000.00

**Total Position Cost:** **\$134,239.00**

Under the self-sufficiency statute of AS 08.01.065, regulatory programs are required to pay the cost of regulation through licensing fees. The funding source in establishing this position is Receipt Supported Services funded entirely from licensing fees.

The above represent an estimate in establishing a new Executive Secretary position. Costs passed on to licensees will be based on actual expenses at the first renewal once the position is authorized. The impact to licensing fees will be shared among the total number of licensees when the position is established.

It is anticipated that through coordination with NASBA (Nat'l Association of State Boards of Accountancy) the Executive Secretary will administratively affect changes in the licensing process that will ultimately result in efficiencies and cost savings to the overall program.

Adopted  
4/14/10

26-LS1380\R.1  
Bannister  
4/13/10

AMENDMENT

1

OFFERED IN THE SENATE

BY SENATOR EGAN

TO: SCS HB 315(FIN), Draft Version "R"

- 1 Page 9, line 29, following "renewal":
- 2       Insert ", except that the length of a renewal for an out-of-state permit may not exceed
- 3 four years"
- 4
- 5 Page 10, line 12, following "privilege":
- 6       Insert "shall"
- 7
- 8 Page 12, line 11:
- 9       Delete "the other [THIS]"
- 10       Insert "this or the other"

*adopted  
m/o 4-13-10*

26-LS1380\R  
Bannister  
4/12/10

**SENATE CS FOR HOUSE BILL NO. 315(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to public accounting; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1.** AS 08.04.020(b) is amended to read:

4 (b) Except for public members, an individual may not be appointed unless the  
5 individual holds a current license. Public members may not be employed by a person  
6 holding a license, permit, out-of-state exemption, or practice privilege under this  
7 chapter. Notwithstanding AS 08.01.025, an accountant who does not hold a license  
8 under this chapter and is not engaged in the practice of public accounting in violation  
9 of this chapter is eligible for appointment as a public member under this section.

10 **\* Sec. 2.** AS 08.04 is amended by adding a new section to read:

11 **Sec. 08.04.055. Executive secretary of board.** (a) The department, in  
12 consultation with the board, shall employ a certified public accountant or person who  
13 has other accounting experience satisfactory to the board and who is not a member of  
14 the board to serve as executive secretary of the board.

15 (b) The executive secretary shall perform duties as prescribed by the board.

1 \* **Sec. 3.** AS 08.04.070 is amended by adding a new subsection to read:

2 (h) The board shall define by regulation the qualifications and duties of the  
3 executive secretary and delegate authority to the executive secretary as necessary to  
4 conduct board business.

5 \* **Sec. 4.** AS 08.04.075 is amended to read:

6 **Sec. 08.04.075. Substantial equivalency.** The [UPON REQUEST OF AN  
7 APPLICANT FOR A PRACTICE PRIVILEGE UNDER AS 08.04.420(a), OR ON  
8 THE BOARD'S OWN MOTION, THE] board shall determine whether the education,  
9 examination, and experience qualifications of another state or an individual [THE  
10 APPLICANT] are substantially equivalent to the national standard or to another  
11 standard established by the board to protect the public interest. The board may adopt  
12 by regulation the qualifications established by a nationally recognized professional  
13 organization for accountants as the national standard or for another standard  
14 established by the board to protect the public interest. The board may accept the  
15 determination of a nationally recognized professional organization for accountants or  
16 adopt another standard as to [OF] whether the qualifications of the other state or an  
17 individual [THE APPLICANT] are substantially equivalent to the national standard.  
18 When ascertaining substantial equivalency under this chapter, the order in which  
19 education, examination, or experience requirements were attained shall be  
20 disregarded [OR TO ANOTHER STANDARD ESTABLISHED BY THE BOARD  
21 TO PROTECT THE PUBLIC INTEREST].

22 \* **Sec. 5.** AS 08.04.100 is amended to read:

23 **Sec. 08.04.100. Certificate granted.** The certificate of "Certified Public  
24 Accountant" shall be granted by the board to any person who meets the requirements  
25 of AS 08.04.110 - 08.04.130. The holder of a certificate issued under this section is  
26 not authorized to engage in the practice of public accounting in the state unless the  
27 holder also has a current license or [,] permit, or an out-of-state exemption or  
28 practice privilege [ISSUED UNDER THIS CHAPTER].

29 \* **Sec. 6.** AS 08.04.200 is amended to read:

30 **Sec. 08.04.200. Use of title "certified public accountant" by individual.** An  
31 individual who has a license from the board as a certified public accountant or holds a

1 practice privilege [OR AN OUT-OF-STATE PERMIT UNDER AS 08.04.420] shall  
2 be known as a certified public accountant and may use the abbreviation "CPA."

3 \* Sec. 7. AS 08.04.240(a) is repealed and reenacted to read:

4 (a) The board shall grant a permit to engage in the practice of public  
5 accounting as a partnership to a partnership that applies to the board as a partnership  
6 of certified public accountants if the partnership meets the following requirements:

7 (1) more than one-half of the ownership of the partnership belongs to  
8 certified public accountants of this or another state in good standing;

9 (2) an individual who is a certified public accountant or has a practice  
10 privilege, who is responsible for supervising attest functions or compilation services in  
11 the partnership, and who signs or authorizes another person to sign an accountant's  
12 report on financial statements on behalf of the partnership meets the competency  
13 requirements established by the board under AS 08.04.423;

14 (3) an individual who signs or authorizes another person to sign an  
15 accountant's report on financial statements on behalf of the partnership meets the  
16 competency requirements established by the board under AS 08.04.423; and

17 (4) each partner who is personally engaged in this state in the practice  
18 of public accounting as a member of that partnership and whose principal place of  
19 business is in this state is a certified public accountant of this state in good standing.

20 \* Sec. 8. AS 08.04.240(b) is repealed and reenacted to read:

21 (b) The board shall grant a permit to engage in the practice of public  
22 accounting as a corporation to a corporation organized for the practice of public  
23 accounting that applies to the board as a corporation of certified public accountants if  
24 the corporation meets the following requirements:

25 (1) the sole purpose and business of the corporation is to furnish to the  
26 public services not inconsistent with this chapter or the regulations adopted under it by  
27 the board; however, the corporation may invest its funds in a manner not incompatible  
28 with the practice of public accounting;

29 (2) at least a simple majority of the shares of the corporation are  
30 owned by certified public accountants of this or another state in good standing and the  
31 principal officer of the corporation and any officer having authority over the practice

1 of public accounting by the corporation is a certified public accountant of this or  
2 another state in good standing;

3 (3) an individual who is a certified public accountant or has a practice  
4 privilege, who is responsible for supervising attest functions or compilation services in  
5 the corporation, and who signs or authorizes another person to sign an accountant's  
6 report on financial statements on behalf of the corporation meets the competency  
7 requirements established by the board under AS 08.04.423;

8 (4) an individual who signs or authorizes another person to sign an  
9 accountant's report on financial statements on behalf of the corporation meets the  
10 competency requirements established by the board under AS 08.04.423;

11 (5) each shareholder or director personally engaged in this state in the  
12 practice of public accounting and whose principal place of business is located in this  
13 state is a certified public accountant of this state in good standing;

14 (6) to facilitate compliance with the provisions of this section relating  
15 to the ownership of stock, there is a written agreement binding the corporation or the  
16 qualified shareholders to purchase shares offered for sale by, or not under the  
17 ownership or effective control of, a qualified shareholder and binding a holder not a  
18 qualified shareholder to sell these shares to the corporation or the qualified  
19 shareholders; the agreement must be noticed on each certificate of corporate stock; the  
20 corporation may purchase any amount of its stock for this purpose, notwithstanding  
21 any impairment of capital, so long as one share remains outstanding; and

22 (7) the corporation is in compliance with those other regulations  
23 pertaining to corporations practicing public accounting in this state that the board may  
24 adopt.

25 \* **Sec. 9.** AS 08.04.240(c) is amended to read:

26 (c) Application for a permit under this section shall be made upon the affidavit  
27 of a general partner, member, or shareholder who is a certified public accountant of  
28 this state in good standing or an individual with a practice privilege. The board  
29 shall, in each case, determine whether the applicant is eligible for a permit under this  
30 section. A partnership, limited liability company, corporation, or other legal entity that  
31 is issued a permit under this section may use the words "certified public accountants"

1 or the abbreviation "CPAs" in connection with the name of the partnership, limited  
2 liability company, corporation, or other legal entity. The board shall be notified within  
3 one month after the admission or withdrawal of a partner, member, or shareholder  
4 from a partnership, limited liability company, corporation, or other legal entity issued  
5 a permit under this section.

6 \* **Sec. 10.** AS 08.04.240(d) is repealed and reenacted to read:

7 (d) The board shall grant a permit to engage in the practice of public  
8 accounting as a limited liability company to a limited liability company engaged in  
9 this state in the practice of public accounting that applies to the board as a limited  
10 liability company of certified public accountants if

11 (1) the sole purpose and the sole business of the company are to  
12 furnish to the public services that are consistent with this chapter or the regulations  
13 adopted under this chapter, except that the company may invest its money in a manner  
14 that is compatible with the practice of public accounting;

15 (2) more than one-half of the ownership of the limited liability  
16 company belongs to certified public accountants of this or another state in good  
17 standing;

18 (3) an individual who is a certified public accountant or has a practice  
19 privilege, who is responsible for supervising attest functions or compilation services in  
20 the company, and who signs or authorizes another person to sign an accountant's  
21 report on financial statements on behalf of the company meets the competency  
22 requirements established by the board under AS 08.04.423;

23 (4) an individual who signs or authorizes another person to sign an  
24 accountant's report on financial statements on behalf of the company meets the  
25 competency requirements established by the board under AS 08.04.423; and

26 (5) each member personally engaged in this state in the practice of  
27 public accounting and whose principal place of business is located in this state is a  
28 certified public accountant of this state in good standing.

29 \* **Sec. 11.** AS 08.04.240(g) is amended to read:

30 (g) The board shall renew a permit granted under (a), (b), (d), or (e) of this  
31 section or a renewal issued under this subsection if

1 (1) the permittee maintains all of the licensee's offices that are located  
2 in this state as required by AS 08.04.360 - 08.04.380;

3 (2) each individual who is required by (a), (b), (d), or (e) of this section  
4 to be a certified public accountant of this state complies with the continuing education  
5 requirements of AS 08.04.425 and the quality review requirements of AS 08.04.426;  
6 and

7 (3) the permittee complies with the requirements of this chapter,  
8 including the competency requirement of (a)(2) and (3), (b)(3) and (4), and (d)(3)  
9 and (4) of this section.

10 \* Sec. 12. AS 08.04.240 is amended by adding new subsections to read:

11 (i) For the purposes of issuing a permit under this section, a partnership,  
12 limited liability company, corporation, or other legal entity may include owners who  
13 are not certified public accountants if

14 (1) the partnership, corporation, limited liability company, or other  
15 legal entity designates a certified public accountant or an individual with practice  
16 privileges to be responsible for the proper registration of the entity and identifies the  
17 certified public accountant or individual to the board;

18 (2) all of the owners of the partnership, corporation, limited liability  
19 company, or other legal entity who are not certified public accountants are active  
20 individual participants in the partnership, corporation, limited liability company, or  
21 other legal entity, or in an entity affiliated with the partnership, corporation, limited  
22 liability company, or other legal entity; and

23 (3) the partnership, corporation, limited liability company, or other  
24 legal entity complies with the other requirements that the board may adopt by  
25 regulation to protect the public interest as described under AS 08.04.005.

26 (j) If the ownership of a partnership, limited liability company, corporation, or  
27 other legal entity, after it has received or renewed a permit, does not comply with (i)  
28 of this section, the partnership, limited liability company, corporation, or other legal  
29 entity shall take corrective action to comply with (i) of this section within a reasonable  
30 time after the noncompliance begins. The board shall establish by regulation the  
31 criteria to determine what is a reasonable time and may base the regulation on national

1 standards.

2 \* **Sec. 13.** AS 08.04.370 is amended to read:

3 **Sec. 08.04.370. Use of title "certified public accountant" by office of legal**  
4 **entity [ORGANIZATION].** The title "certified public accountant" or the  
5 abbreviation "CPA" may not be used in connection with an office of **a legal entity**  
6 **[AN ORGANIZATION]** holding a permit **or an out-of-state exemption** [UNDER  
7 AS 08.04.240 OR 08.04.420(c)] unless the supervision requirement of AS 08.04.360  
8 is satisfied.

9 \* **Sec. 14.** AS 08.04.380 is amended to read:

10 **Sec. 08.04.380. Waiver of requirements.** The board may waive the  
11 requirements of **AS 08.04.240(a)(4), (b)(5), and (d)(5)**, [AS 08.04.240(a)(3), (b)(4),  
12 AND (d)(4), AND] 08.04.360, and 08.04.370 if

13 (1) the community has a population of 2,000 or less; and

14 (2) the individual, partnership, corporation, limited liability company,  
15 or other legal entity that opens or maintains the office maintains another office in the  
16 state that meets the requirements outlined in AS 08.04.360 and 08.04.370.

17 \* **Sec. 15.** AS 08.04.420 is repealed and reenacted to read:

18 **Sec. 08.04.420. Practice privileges.** (a) Except as limited by (b) of this  
19 section, an individual who does not have a license in this state, but who is licensed to  
20 practice public accounting in another state and whose principal place of business for  
21 the practice of public accounting is in the other state may engage in the practice of  
22 public accounting in this state under a practice privilege if the state in which the  
23 individual is licensed to practice public accounting

24 (1) requires as a condition of licensure that an individual

25 (A) have at least 150 semester hours of college education,  
26 including a baccalaureate or higher degree conferred by a college or university;

27 (B) achieve a passing grade on the Uniform Certified Public  
28 Accountant Examination; and

29 (C) possess at least one year of experience, which includes  
30 providing any type of service or advice involving the use of accounting, attest,  
31 compilation, management advisory, financial advisory, tax, or consulting

1 skills; the experience may be obtained through practice with the government,  
2 industry, colleges, universities, or the public; or

3 (2) does not require as a condition of licensure that an individual  
4 satisfy the requirements of (1) of this subsection but the individual's qualifications are  
5 substantially equivalent to the requirements of (1) of this subsection; however, for the  
6 purposes of this paragraph, the education of an individual who holds a valid license to  
7 practice public accounting that is issued by another state before January 1, 2013, and  
8 who passes the Uniform Certified Public Accountant Examination before January 1,  
9 2013, is exempt from the education requirement identified in (1)(A) of this subsection.

10 (b) Unless the individual is a sole practitioner, if an individual who engages in  
11 the practice of public accounting under a practice privilege under (a) of this section  
12 performs designated functions for a client whose home office is in this state, the  
13 individual may only provide the designated functions through a legal entity that has a  
14 permit.

15 (c) An individual who may engage in the practice of public accounting in this  
16 state under (a) or (b) of this section is not required to provide a notice to the board, to  
17 pay a fee to the board, or to submit documentation to the board in order to engage in  
18 the practice of public accounting in this state. The person may engage in the practice  
19 of public accounting by mail, by telephone, by electronic means, or in person.

20 \* **Sec. 16.** AS 08.04 is amended by adding new sections to read:

21 **Sec. 08.04.421. Out-of-state permits and exemptions.** (a) A legal entity that  
22 does not have an office in this state, that is authorized to practice public accounting in  
23 another state, and that performs designated functions for a client whose home office is  
24 located in this state may not engage in the practice of public accounting in this state  
25 unless the legal entity has an out-of-state permit. To obtain an out-of-state permit, the  
26 legal entity shall submit to the board

27 (1) a written notice on a form provided by the board;

28 (2) the fee required by the board;

29 (3) verification of the current authorization of the legal entity to  
30 practice public accounting in the other state; and

31 (4) verification that the legal entity participates in a quality review

1 program comparable to the program required of entities registered under  
2 AS 08.04.426.

3 (b) A legal entity that performs designated services but not designated  
4 functions for a client whose home office is located in this state may engage in the  
5 practice of public accounting in this state under an out-of-state exemption if the legal  
6 entity

7 (1) does not have an office in this state;

8 (2) is authorized to practice public accounting in another state;

9 (3) performs the designated services through an individual with a  
10 practice privilege; and

11 (4) participates in a quality review program comparable to the program  
12 required under AS 08.04.426.

13 (c) A legal entity that does not have an office in this state, is authorized to  
14 practice public accounting in another state, and does not perform designated functions  
15 or designated services for a client whose home office is located in this state may  
16 engage in the practice of public accounting in this state under an out-of-state  
17 exemption if the services that the legal entity performs within the practice of public  
18 accounting are performed

19 (1) through an individual who has a practice privilege; and

20 (2) only to the extent that the legal entity can lawfully perform the  
21 services in the state where the individual with a practice privilege has the individual's  
22 principal place of business.

23 (d) If the board denies an out-of-state permit to a legal entity under (a) of this  
24 section, the board shall provide notice of the denial to the legal entity.

25 (e) Notwithstanding AS 08.01.100(b), the board shall establish by regulation  
26 the period for which an out-of-state permit authorized by (a) of this section is valid.  
27 However, the initial term of an out-of-state permit may not exceed three years. The  
28 board may renew an out-of-state permit and shall establish by regulation the terms for  
29 and length of a renewal.

30 (f) A legal entity who may engage in the practice of public accounting under  
31 an out-of-state exemption is not required to provide a notice to the board, pay a fee to

1 the board, or submit documentation to the board. The person may engage in the  
2 practice of public accounting by mail, by telephone, by electronic means, or in person.

3 (g) In this section, "designated service" means

4 (1) a review of a financial statement, if the performance of the review  
5 is established by the Statements on Standards for Accounting and Review Services; or

6 (2) a compilation service.

7 **Sec. 08.04.422. Conditions of practice privileges, out-of-state permits, and**  
8 **out-of-state exemptions.** An individual with a practice privilege who engages in the  
9 practice of public accounting in the state under the practice privilege, a legal entity  
10 with a permit or exemption under AS 08.04.421 who engages in the practice of public  
11 accounting in this state under the permit or exemption, and a legal entity that hires an  
12 individual with a practice privilege

13 (1) consent to the personal and subject matter jurisdiction and  
14 disciplinary authority of the board;

15 (2) agree to comply with this chapter, including the regulations  
16 adopted by the board;

17 (3) agree that the individual or legal entity will stop offering to engage  
18 or engaging in the practice of public accounting, whether individually or and on behalf  
19 of a legal entity, if the license from the state of the individual's or legal entity's  
20 principal place of business becomes invalid; and

21 (4) consent to the appointment of the state board that issued the  
22 individual's license as the individual's or legal entity's agent for service of process in a  
23 court action or in another proceeding against the individual or legal entity that arises  
24 out of a transaction or an operation connected with or incidental to the individual's or  
25 legal entity's engagement in the practice of public accounting.

26 \* **Sec. 17.** AS 08.04.440 is amended to read:

27 **Sec. 08.04.440. Effect of failure to obtain license or [,] permit [, OR**  
28 **PRACTICE PRIVILEGE].** Failure of an individual, partnership, limited liability  
29 company, corporation, or other legal entity to apply for a [THE] required license or [,]  
30 permit [, OR PRACTICE PRIVILEGE] or to pay a [THE] required fee within (1)  
31 three years from the expiration date of the license or [,] permit [, OR PRACTICE

1 PRIVILEGE] last obtained or renewed, or (2) three years from the date the person was  
2 granted a license or permit as a public accountant valid under AS 08.04.661 deprives  
3 the individual, partnership, limited liability company, corporation, or other legal entity  
4 of the right to a license or [,] permit [, OR PRACTICE PRIVILEGE] or renewal of a  
5 license or [,] permit [, OR PRACTICE PRIVILEGE] unless the board determines that  
6 the failure is excusable. In case of excusable failure, the fee for a license or [,] permit  
7 [, OR PRACTICE PRIVILEGE] or renewal of a license or [,] permit [, OR  
8 PRACTICE PRIVILEGE] under this section may not exceed three times one year's  
9 portion of the fee that would have otherwise been required for the license, permit, [OR  
10 PRACTICE PRIVILEGE,] or renewal.

11 \* **Sec. 18.** AS 08.04.450 is amended to read:

12 **Sec. 08.04.450. Revocation or suspension of license, practice privilege,**  
13 **[OR] permit, or out-of-state exemption.** In addition to its powers under  
14 AS 08.01.075, the board may revoke, suspend, or refuse to renew a license, practice  
15 privilege, [OR] permit, or out-of-state exemption, or may censure a holder of a  
16 license, practice privilege, [OR] permit, or out-of-state exemption, for

17 (1) fraud or deceit in obtaining a license [, PRACTICE PRIVILEGE,]  
18 or permit required by this chapter;

19 (2) dishonesty or gross negligence in the practice of public accounting,  
20 or other acts discreditable to the accounting profession;

21 (3) violation of a provision of AS 08.04.500 - 08.04.610 or failure to  
22 take corrective action to comply with AS 08.04.240(i) within the time allowed  
23 under AS 08.04.240(i);

24 (4) violation of a rule of professional conduct or other regulation  
25 adopted by the board;

26 (5) conviction of a felony under the laws of any state or of the United  
27 States;

28 (6) conviction of any crime, an essential element of which is  
29 dishonesty or fraud, under the laws of any state or of the United States;

30 (7) cancellation, revocation, suspension, or refusal to renew authority  
31 to practice as a certified public accountant or public accountant in any other state for

1 any cause other than failure to pay a required fee;

2 (8) suspension or revocation of the right to practice before any state or  
3 federal agency;

4 (9) failure to satisfy the continuing education requirements prescribed  
5 by the board under AS 08.04.425, except as conditioned, relaxed, or suspended by the  
6 board under AS 08.04.425(c) and (d);

7 (10) failure to satisfactorily complete the supervision required by  
8 AS 08.04.423 or a quality review requirement under AS 08.04.426; or

9 (11) committing an act in another state for which the holder of the  
10 license, practice privilege, [OR] permit, or out-of-state exemption would be subject  
11 to discipline in the other [THIS] state.

12 \* **Sec. 19.** AS 08.04.450 is amended by adding a new subsection to read:

13 (b) The board shall investigate a complaint made by the board of accountancy,  
14 or other regulatory body for the practice of accounting, of another state.

15 \* **Sec. 20.** AS 08.04.490 is amended to read:

16 **Sec. 08.04.490. Reinstatement.** Upon application in writing and after a  
17 hearing, the board may issue a new license or allow a practice privilege to an  
18 individual whose license or practice privilege has been revoked, or may issue a new  
19 permit to a person whose permit has been revoked, or may modify the suspension of  
20 or may reissue any license, practice privilege, or permit to practice public accounting  
21 that has been revoked or suspended.

22 \* **Sec. 21.** AS 08.04.495 is amended to read:

23 **Sec. 08.04.495. Fees.** The department [DEPARTMENT OF COMMERCE,  
24 COMMUNITY, AND ECONOMIC DEVELOPMENT] shall set fees under  
25 AS 08.01.065 for examinations, reexaminations, permits, licenses, and practice  
26 privileges.

27 \* **Sec. 22.** AS 08.04.500(b) is amended to read:

28 (b) This section does not prohibit an individual in good standing in any state,  
29 including an individual acting as a sole practitioner in the individual's home  
30 state, holding a practice privilege under AS 08.04.420 from using the title "certified  
31 public accountant [.]" or another title allowed under (a) of this section.

1 \* **Sec. 23.** AS 08.04.505 is amended to read:

2 **Sec. 08.04.505. Issuance of reports.** Only a person who holds a valid license,  
3 practice privilege, [OR] permit, or out-of-state exemption [ISSUED UNDER THIS  
4 CHAPTER] may issue a report on financial statements of another person or  
5 governmental unit. This restriction does not apply to

6 (1) an officer, partner, member, or employee of a sole proprietorship,  
7 partnership, corporation, limited liability company, or other legal entity affixing that  
8 person's signature to a statement or report in reference to the financial affairs of the  
9 sole proprietorship, partnership, corporation, limited liability company, or other legal  
10 entity with wording designating the position, title, or office that the person holds in the  
11 sole proprietorship, partnership, corporation, limited liability company, or other legal  
12 entity;

13 (2) an act of a public official or employee in the performance of  
14 official duties;

15 (3) the performance by persons of other services involving the use of  
16 accounting skills, including the preparation of tax returns, management advisory  
17 services, and the preparation of financial statements without the issuance of reports on  
18 them.

19 \* **Sec. 24.** AS 08.04.510 is amended to read:

20 **Sec. 08.04.510. Partnership, limited liability company, corporation, or**  
21 **other legal entity posing as a certified public accountant.** (a) A partnership, limited  
22 liability company, corporation, or other legal entity may not assume or use the title or  
23 designation "certified public accountant" or the abbreviation "CPA" or any other title,  
24 designation, word, letter, abbreviation, sign, card, or device tending to indicate that it  
25 is composed of certified public accountants, unless the partnership, limited liability  
26 company, corporation, or other legal entity holds a permit or an out-of-state  
27 exemption and is engaging in the practice of public accounting under the name on its  
28 permit, and its offices in this state for the practice of public accounting are maintained  
29 as required by AS 08.04.360 - 08.04.380.

30 (b) A partnership, limited liability company, corporation, or other legal entity  
31 consisting of certified public accountants in good standing in any state, that does not

1 have a permit as a partnership, limited liability company, corporation, or other legal  
2 entity consisting of certified public accountants under AS 08.04.240 but holds a permit  
3 under AS 08.04.421 or out-of-state exemption [UNDER AS 08.04.420], may use the  
4 title or designation "certified public accountants [.]" or another title permitted under  
5 (a) of this section.

6 \* **Sec. 25.** AS 08.04.520 is amended to read:

7 **Sec. 08.04.520. Individual posing as public accountant.** An individual may  
8 not assume or use the title or designation "public accountant" or the abbreviation "PA"  
9 or other title, designation, word, letter, abbreviation, sign, card, or device tending to  
10 indicate that the individual is a public accountant, unless the individual holds a current  
11 license or [,] practice privilege [, OR PERMIT] and the individual's offices in this  
12 state for the practice of public accounting are maintained as required by AS 08.04.360  
13 - 08.04.380.

14 \* **Sec. 26.** AS 08.04.530 is amended to read:

15 **Sec. 08.04.530. Partnership, limited liability company, or corporation**  
16 **posing as public accountant.** A partnership, limited liability company, or corporation  
17 may not assume or use the designation "public accountant" or the abbreviation "PA"  
18 or any other title, designation, word, letter, abbreviation, sign, card, or device tending  
19 to indicate that the partnership, limited liability company, or corporation is composed  
20 of public accountants, unless the partnership, limited liability company, or corporation  
21 holds a current permit or out-of-state exemption, and, if it has a permit, is practicing  
22 under the name on its permit, and its office in this state for the practice of public  
23 accounting is maintained as required by AS 08.04.360 - 08.04.380.

24 \* **Sec. 27.** AS 08.04.540 is amended to read:

25 **Sec. 08.04.540. Use of deceptive title or abbreviation.** An individual,  
26 partnership, limited liability company, corporation, or other legal entity may not  
27 assume or use the title or designation "certified accountant," "chartered accountant,"  
28 "enrolled accountant," "licensed accountant," "registered accountant," or any other  
29 title or designation likely to be confused with "certified public accountant" or "public  
30 accountant," or any of the abbreviations "C," "EA," "LA," "RA," or similar  
31 abbreviations likely to be confused with "CPA" or "PA" except that "EA" may be used

1 to the extent that it relates to the term "enrolled agent" as defined by the federal  
2 Internal Revenue Service; however, an individual, partnership, limited liability  
3 company, corporation, or other legal entity holding a current license or permit or an  
4 out-of-state exemption [, PERMIT UNDER AS 08.04.240,] or practice privilege, and  
5 whose offices in this state for the practice of public accounting, if any, are maintained  
6 as required by AS 08.04.360 - 08.04.380 may hold out to the public as an accountant  
7 or auditor.

8 \* **Sec. 28.** AS 08.04.560 is amended to read:

9 **Sec. 08.04.560. Individual may not assume title.** An individual may not sign  
10 or affix any name or any trade or assumed name used by that individual to any  
11 accounting or financial statement or opinion or report on any accounting or financial  
12 statement with any wording indicating that the person is a certified public accountant  
13 or public accountant or with any wording indicating that the person has expert  
14 knowledge in accounting or auditing, unless the individual holds a current license or  
15 practice privilege and the individual's offices in this state, if any, for the practice of  
16 public accounting are maintained as required by AS 08.04.360 - 08.04.380.

17 \* **Sec. 29.** AS 08.04.580 is amended to read:

18 **Sec. 08.04.580. Partnership posing as accountants or auditors.** A person  
19 may not sign or affix a partnership name to any accounting or financial statement or  
20 opinion or report on any accounting or financial statement with any wording  
21 indicating that it is a partnership composed of certified public accountants or public  
22 accountants or with any wording indicating that the partnership has expert knowledge  
23 in accounting or auditing unless the partnership holds a current permit and is  
24 practicing under the name on its permit, and its offices in this state for the practice of  
25 public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless  
26 the partnership holds an out-of-state exemption.

27 \* **Sec. 30.** AS 08.04.590 is amended to read:

28 **Sec. 08.04.590. Use of title with corporate name.** A person may not sign or  
29 affix a corporate name to any accounting or financial statement or opinion or report on  
30 any accounting or financial statement with any wording indicating that it is a  
31 corporation composed of certified public accountants or public accountants or with

1 any wording indicating that the corporation has expert knowledge in accounting or  
2 auditing unless the corporation holds a current permit, it is practicing under the name  
3 on the permit, and its offices in this state for the practice of public accounting are  
4 maintained as required by AS 08.04.360 - 08.04.380, or unless the corporation holds  
5 an out-of-state exemption.

6 \* Sec. 31. AS 08.04.595 is amended to read:

7 **Sec. 08.04.595. Use of title with limited liability company name.** A person  
8 may not sign or affix a limited liability company name to an accounting or financial  
9 statement or opinion or report on an accounting or financial statement with wording  
10 indicating that the person is a limited liability company composed of certified public  
11 accountants or public accountants or with wording indicating that the company has  
12 expert knowledge in accounting or auditing unless the company holds a current  
13 permit, it is practicing under the name on the permit, and its offices in this state for the  
14 practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380,  
15 or unless the limited liability company holds an out-of-state exemption.

16 \* Sec. 32. AS 08.04.598 is amended to read:

17 **Sec. 08.04.598. Use of title with name of other legal entity.** A person may  
18 not sign or affix the name of a legal [AN] entity to an accounting or financial  
19 statement or opinion or report on an accounting or financial statement with wording  
20 indicating that the person is a legal entity composed of certified public accountants or  
21 public accountants or with wording indicating that the legal entity has expert  
22 knowledge in accounting or auditing unless the legal entity holds a current permit, it is  
23 practicing under the name on the permit, and its offices in this state for the practice of  
24 public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless  
25 the legal entity holds an out-of-state exemption.

26 \* Sec. 33. AS 08.04.600 is amended to read:

27 **Sec. 08.04.600. Disclosure of lack of license or permit.** An individual,  
28 partnership, limited liability company, corporation, or other entity that does not hold a  
29 current license, a current practice privilege, [OR] a current permit, or a current out-  
30 of-state exemption, may not hold out to the public as a certified public accountant or  
31 public accountant by use of such words or abbreviations on any sign, card, letterhead,

1 or in any advertisement or directory, without indicating that the individual,  
2 partnership, limited liability company, corporation, or other entity does not hold a  
3 current license, a current practice privilege, or a current permit. This section does not  
4 prohibit

5 (1) an officer, employee, partner, member, or principal of an  
6 organization from self-description through the position, title, or office that the person  
7 holds in the organization;

8 (2) an act of a public official or public employee in the performance of  
9 that individual's duties; or

10 (3) a person from maintaining a bookkeeping or tax service.

11 \* **Sec. 34.** AS 08.04.610 is amended to read:

12 **Sec. 08.04.610. Deceptive use of title or designation by partnership, limited**  
13 **liability company, corporation, or other legal entity.** A person may not assume or  
14 use the title or designation "certified public accountant" or "public accountant" or an  
15 abbreviation of them, in conjunction with a name indicating or implying that there is a  
16 partnership, limited liability company, corporation, or other entity, or in conjunction  
17 with the designation "and Company," "and Co.," "L.L.C.," "LLC," "Ltd.," or any  
18 similar designation unless there is a bona fide partnership, limited liability company,  
19 corporation, [OR] other legal entity holding a permit issued under that name, or a  
20 current out-of-state exemption. However, a sole proprietor or partnership lawfully  
21 using the title or designation "certified public accountant" or "public accountant" or an  
22 abbreviation of them in conjunction with such names or designation on April 26, 1960,  
23 may continue to do so if the person or partnership otherwise complies with this  
24 chapter.

25 \* **Sec. 35.** AS 08.04.620 is amended to read:

26 **Sec. 08.04.620. Exceptions.** This chapter does not prohibit

27 (1) an individual who does not hold a current license or practice  
28 privilege from serving as an employee of or as an assistant to an individual,  
29 partnership, limited liability company, corporation, or other legal entity holding a  
30 current license, a current practice privilege, [OR] a current permit, or a current out-  
31 of-state exemption so long as the employee or assistant does not use the employee's

1 or the assistant's name in connection with an accounting or financial statement;

2 (2) an individual who holds a valid license or equivalent authorization  
3 in another state from indicating that the individual is entitled to use the title "certified  
4 public accountant," but the individual may not indicate that services are available to  
5 the public unless the individual holds a current license or practice privilege issued  
6 under this chapter;

7 (3) a holder of a certificate, license, or degree from a foreign country  
8 that constitutes a recognized qualification for the practice of public accounting in that  
9 country from indicating that the person holds the certificate, license, or degree, but the  
10 person may not indicate that the person's services are available to the public unless the  
11 person holds a current license, practice privilege, [OR] permit, or out-of-state  
12 exemption [ISSUED] under this chapter.

13 \* Sec. 36. AS 08.04.662(a) is amended to read:

14 (a) A license holder, a permit holder, a practice privilege holder, an out-of-  
15 state exemption holder, or a partner, an officer, a shareholder, a member, or an  
16 employee of a license holder, a permit holder, an out-of-state exemption holder, or a  
17 practice privilege holder, may not reveal information communicated to the license  
18 holder, permit holder, out-of-state exemption holder, or practice privilege holder by  
19 a client about a matter concerning which the client has employed the license holder,  
20 permit holder, out-of-state exemption holder, or practice privilege holder in a  
21 professional capacity. This section does not apply to

22 (1) information required to be disclosed by the standards of the public  
23 accounting profession in reporting on the examination of financial statements;

24 (2) the release of information the client has authorized the license  
25 holder, permit holder, out-of-state exemption holder, or practice privilege holder to  
26 reveal;

27 (3) information revealed as part of the discovery of evidence related to  
28 a court or administrative proceeding or introduced in evidence in a court or  
29 administrative proceeding;

30 (4) information revealed in ethical investigations conducted by private  
31 professional organizations; or

1 (5) information revealed in the course of a quality review under  
2 AS 08.04.426.

3 \* Sec. 37. AS 08.04.680(1) is repealed and reenacted to read:

4 (1) "attest function" means

5 (A) an audit or other engagement, if the performance of the  
6 audit or other engagement is established by the Statements on Auditing  
7 Standards;

8 (B) a review of a financial statement, if the performance of the  
9 review is established by the Statements on Standards for Accounting and  
10 Review Services;

11 (C) an examination of prospective financial information, if the  
12 performance of the examination is established by the Statements on Standards  
13 for Attestation Engagements; or

14 (D) an engagement, if the performance of the engagement is  
15 established by the Auditing Standards of the Public Company Accounting  
16 Oversight Board;

17 \* Sec. 38. AS 08.04.680(9) is amended to read:

18 (9) "permit" means a permit issued under AS 08.04.240 or  
19 08.04.421(a) [AS 08.04.240 OR 08.04.420];

20 \* Sec. 39. AS 08.04.680(12) is repealed and reenacted to read:

21 (12) "principal place of business" means the office location designated  
22 by an individual for the purposes of substantial equivalency and reciprocity;

23 \* Sec. 40. AS 08.04.680(14) is amended to read:

24 (14) "report," when used with reference to financial statements, means  
25 an opinion, report, or other form of language that states or implies assurance as to the  
26 reliability of financial statements and that also includes or is accompanied by a  
27 statement or implication that the person issuing it has special knowledge or  
28 competency in accounting or auditing; a statement or implication of special knowledge  
29 or competence may arise from use by the issuer of the report of names or titles  
30 indicating that the issuer is a certified public accountant or auditor, or from the  
31 language of the report itself; except as provided in this paragraph, "report" includes

1 any form of language that disclaims an opinion when the form of the language is  
2 conventionally understood to imply a positive assurance as to the reliability of the  
3 financial statements referred to or special competence on the part of the person issuing  
4 the language; and "report" includes any other form of language that is conventionally  
5 understood to imply such assurance or such special knowledge or competence;  
6 "report" does not include

7 (A) a compilation of financial statement language that does not  
8 express or imply assurance or special knowledge or competence; or

9 (B) the following disclaimer language when used by a person  
10 without a license, a practice privilege, or an out-of-state exemption  
11 [NONLICENSEES] in connection with financial statements:

12 (i) "I (we) have prepared the accompanying (financial  
13 statements) of (name of entity) as of (time period) for the (period) then  
14 ended. This presentation is limited to preparing, in the form of financial  
15 statements, information that is the representation of management  
16 (owners)."; or

17 (ii) "I (we) have not audited or reviewed the  
18 accompanying financial statements and, accordingly, do not express an  
19 opinion or any other form of assurance on them.";

20 \* **Sec. 41.** AS 08.04.680 is amended by adding new paragraphs to read:

21 (16) "compilation service" means a service that

22 (A) is performed as established by the Statements on Standards  
23 for Accounting and Review Services; and

24 (B) presents, in the form of financial statements, information  
25 that is the representation of management, but does not express an assurance on  
26 the statements;

27 (17) "department" means the Department of Commerce, Community,  
28 and Economic Development;

29 (18) "designated function" means

30 (A) an audit or other engagement, if the performance of the  
31 audit or other engagement is established by the Statements on Auditing

1 Standards;

2 (B) an examination of prospective financial information, if the  
3 performance of the examination is established by the Statements on Standards  
4 for Attestation Engagements; or

5 (C) an engagement, if the performance of the engagement is  
6 established by the Auditing Standards of the Public Company Accounting  
7 Oversight Board;

8 (19) "home office" means the location specified by the client as the  
9 address to which an attest function service or a compilation service is directed;

10 (20) "out-of-state exemption" means the exemption provided under  
11 AS 08.04.421(b) or (c).

12 \* **Sec. 42.** AS 08.04.085 is repealed.

13 \* **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

15 **TRANSITIONAL PROVISION: REGULATIONS.** The Board of Public Accountancy  
16 created under AS 08.04.010 may proceed to adopt regulations necessary to implement this  
17 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
18 before the effective date of secs. 1 - 42 of this Act.

19 \* **Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 **TRANSITIONAL PROVISION: EFFECT ON CURRENT PERMITTEES AND**  
22 **PRACTICE PRIVILEGE HOLDERS.** (a) On and after January 1, 2011, a person who holds a  
23 permit or practice privilege on January 1, 2011, may continue to engage in the practice of  
24 public accounting under the permit or practice privilege until the permit or practice privilege  
25 expires normally under AS 08.04, as AS 08.04 existed before January 1, 2011, but shall  
26 otherwise comply with AS 08.04, as amended by this Act.

27 (b) In this section,

28 (1) "permit" means a permit issued under AS 08.04.240, as that section existed  
29 before January 1, 2011, or AS 08.04.420, as that section existed before January 1, 2011;

30 (2) "practice of public accounting" has the meaning given in AS 08.04.680;

31 (3) "practice privilege" means a practice privilege authorized under

- 1 AS 08.04.420, as that section existed before January 1, 2011.
- 2 \* **Sec. 45.** Section 43 of this Act takes effect immediately under AS 01.10.070(c).
- 3 \* **Sec. 46.** Except as provided in sec. 45 of this Act, this Act takes effect January 1, 2011.

# ALASKA STATE LEGISLATURE

## REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources

Session: January – April  
State Capitol  
Juneau, AK 99801-1182  
Phone: 907-465-2693  
Fax: 907-465-3835



Interim: May – December  
145 Main Street Loop, Ste 221  
Kenai, AK 99611  
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Fax: 907-283-2763

Official Business

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March 2, 2010

Senator Bert Stedman, Co-Chair  
Senate Finance Committee  
Room 516, State Capitol  
Juneau, Alaska 99801

At your earliest convenience, I respectfully request the scheduling of House Bill 315, "An Act relating to public accounting; and providing for an effective date".

House Bill 315 updates Alaska's uniform accountancy standards in two major ways. First, it provides for Certified Public Accountant (CPA) mobility, allowing licensed CPAs and CPA firms to practice across state jurisdictions. Second, the legislation alters the stringent ownership requirements for CPA firms in the state, allowing non-CPAs to have minority ownership of CPA firms. Finally, HB 315 enhances the ability of the Alaska State Board of Public Accountancy to protect the public interest.

These changes would bring Alaska's accountancy standards in line with the vast majority of states. Passage of this legislation is key to keeping Alaska's CPAs and CPA firms nationally competitive, and I urge your consideration of this bill.

Please do not hesitate to contact my staff, Jennifer Senette, at 465-4530 with any questions or concerns about this legislation. I look forward to hearing from you and discussing this bill in further detail.

Thank you for your consideration.

Representative Kurt Olson  
District 33

Email: [Representative\\_Kurt\\_Olson@legis.state.ak.us](mailto:Representative_Kurt_Olson@legis.state.ak.us)

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
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Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 3, 2010

**SUBJECT:** Sectional summary of HB 315 relating to public accounting  
(Work Order No. 26-LS1380\A)

**TO:** Representative Kurt Olson  
Attn: Jennifer Senette

**FROM:**  Theresa Bannister  
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1.** Amends AS 08.04.020(b) of the section dealing with the appointment and qualifications of members of the Board of Public Accountancy to reflect the new out-of-state exemption category added by the bill.

**Section 2.** Amends AS 08.04.075 (substantial equivalency) to require the board to determine whether the education, examination, and experience qualifications of another state or an individual are substantially equivalent to the national standard or to a board-established standard. Replaces "applicant" with "individual." Directs that the order in which the education, examination, or experience requirements were attained be disregarded.

**Section 3.** Amends AS 08.04.100 (certificates) to add the out-of-state exemption added by the bill.

**Section 4.** Amends AS 08.04.200 (use of CPA title by individual) to cover individuals with licenses or practice privileges.

**Section 5.** Rewrites AS 08.04.240(a). Directs the board to grant a permit to engage in the practice of public accounting to a partnership if the partnership applies and meets the listed requirements.

**Section 6.** Rewrites AS 08.04.240(b). Directs the board to grant a permit to engage in the practice of public accounting to a corporation that is organized for the practice of public accounting, if the corporation applies and meets the listed requirements.

**Section 7.** Amends AS 08.04.240(c) to add an individual with a practice privilege to the individuals who may make an affidavit necessary for a permit application under the section.

**Section 8.** Rewrites AS 08.04.240(d). Directs the board to grant a permit to engage in the practice of public accounting to a limited liability company engaged in the state in the practice of public accounting, if the company applies and meets the listed requirements.

**Section 9.** Amends AS 08.04.240(g). In the subsection that indicates when the board must renew a permit or a renewal, amends the requirements for renewal to limit the office maintenance requirement to offices located in this state, to limit certain continuing education and quality review requirements to individuals required to be CPAs of this state, and to specify some of the requirements that must be complied with.

**Section 10.** Adds new subsections to AS 08.04.240.

Sec. 08.04.240(i) indicates, with regard to permit issuance under the section, under what conditions a partnership, limited liability company, corporation, or other legal entity may include owners who are not certified public accountants.

Sec. 08.04.240(j) directs a legal entity that does not comply with (i) after it has received or renewed a permit to take corrective action within a reasonable time. Directs the board to determine what is a "reasonable time."

**Section 11.** Amends AS 08.04.370 (use of CPA title by legal entity). In this section, which indicates when "certified public accountant" may be used by persons who are not individuals, substitutes "legal entity" for "organization" and covers holders of a permit or out-of-state exemption unless the supervision requirement of AS 08.04.360 is satisfied.

**Section 12.** Changes the cross references at the beginning of AS 08.04.380 (waiver of requirements) to reflect the rewriting of AS 08.04.240.

**Section 13.** Rewrites AS 08.04.420 so that it just covers practice privileges. Indicates when an individual who is licensed in another state but not licensed in this state may engage in the practice of public accounting in this state under a practice privilege. If the individual is not a sole practitioner, restricts how the individual may provide certain services. Indicates that an individual who may practice under a practice privilege is not required to provide a notice, a fee, or documentation to the board.

**Section 14.** Adds two new sections, sec. 08.04.421 and 08.04.422.

Sec. 08.04.421(a). Addresses out-of-state permits and exemptions. Prohibits a legal entity that does not have an office in this state, that is authorized to practice public accounting in another state, and that performs designated functions for a client whose home office is located in this state from engaging in the practice of public accounting in this state without an out-of-state permit. Describes what a legal entity must submit to the board to obtain the out-of-state permit.

**Sec. 08.04.421(b).** Allows a legal entity that performs designated services but not designated functions for a client whose home office is located in this state to engage in the practice of public accounting in this state under an out-of-state exemption if the legal entity meets certain requirements.

**Sec. 08.04.421(c).** Allows a legal entity that does not have an office in this state, that is authorized to practice public accounting in another state, and that does not perform designated functions or designated services for a client whose home office is located in this state to engage in the practice of public accounting in this state under an out-of-state exemption if the performance of the services meets certain requirements.

**Sec. 08.04.421(d).** Requires the board to give notice of the denial of an out-of-state permit under (a) to the applying legal entity.

**Sec. 08.04.421(e).** Requires the board to establish by regulation the period for which an out-of-state permit under (a) is valid, but the initial term may not exceed three years. Allows the board to renew an out-of-state permit and to set by regulation renewal terms and length.

**Sec. 08.04.421(f).** States that a legal entity who may operate under an out-of-state exemption is not required to provide a notice, a fee, or documentation to the board. Allows the person to practice by mail, by telephone, by electronic means, or in person.

**Sec. 08.04.421(g).** Defines "designated service" for the section.

**Sec. 08.04.422 (conditions of practice privileges, out-of-state permits, and out-of-state exemptions).** Indicates that persons with practice privileges, out-of-state permits, or out-of-state exemptions and legal entities that hire individuals with practice privileges consent to the jurisdiction and disciplinary authority of the board, agree to comply with AS 08.04, agree to stop engaging in the practice of public accounting if the license from the state of the person's principal place of business becomes invalid, and consent to the state board that issued the individual's license being the person's agent for the service of process.

**Section 15.** Amends AS 08.04.440 (effect of failure to obtain license or permit). Deletes practice privileges from the coverage of the section.

**Section 16.** Amends AS 08.04.450 (revocation, suspension, or refusal to renew). Adds out-of-state exemptions to the section. Deletes practice privileges from (1). In (3), adds a failure to take corrective action regarding ownership as a basis for board action. In (11), with regard to the reference state for discipline, changes to the state where the act was committed.

**Section 17.** Adds a new subsection to AS 08.04.450. Directs the board to investigate a complaint made by the accountancy regulatory body of another state.

**Section 18.** Makes a technical change to AS 08.04.490 (reinstatement).

**Section 19.** Amends AS 08.04.500(b) (individuals posing as CPAs). Clarifies that the subsection covers a sole practitioner acting as a sole practitioner in the individual's home state. Expands the subsection to cover other titles allowed under (a) of the section.

**Section 20.** Amends AS 08.04.505 (issuance of reports), to cover persons holding out-of-state exemptions.

**Section 21.** Amends AS 08.04.510 (legal entities posing as CPAs). Makes technical change to "legal entity" throughout. In (a), adds legal entities holding out-of-state exemptions to the coverage of the section. Amends (b) to cover legal entities holding permits under AS 08.04.421 or out-of-state exemptions. Expands (b) to cover other titles allowed under (a) of the section.

**Section 22.** Amends AS 08.04.520 (individual posing as public accountant). Removes permits (not applicable to individuals).

**Section 23.** Amends AS 08.04.530 (partnership, limited liability company, or corporation posing as public accountant). Adds holders of out-of-state exemptions to the coverage of the section and makes a related drafting change.

**Section 24.** Amends AS 08.04.540 (use of deceptive title or abbreviation). Makes a change to "legal entity" in the provision prohibiting the use of deceptive titles or abbreviations. Allows persons with licenses, permits, out-of-state exemptions, or practice privileges to hold themselves out as accountants or auditors under certain conditions.

**Section 25.** Clarifies that AS 08.04.560 (individual assumption of title) does not require that the individual have an office in this state.

**Section 26.** Amends AS 08.04.580 (partnership posing as accountants or auditors) to add a partnership that holds an out-of-state exemption to the persons who are not subject to the prohibitions in the section.

**Section 27.** Amends AS 08.04.590 (use of title with corporate name) to add a partnership that holds an out-of-state exemption to the persons who are not subject to the prohibitions in the section.

**Section 28.** Amends AS 08.04.595 (limited liability company use of title) to add a limited liability company that holds an out-of-state exemption to the persons who are not subject to the prohibitions in the section.

**Section 29.** Amends AS 08.04.598 (other legal entity's use of title). Makes change to "legal entity." Adds a person who holds an out-of-state exemption to the persons who are not subject to the prohibition in the section.

**Section 30.** Amends AS 08.04.600 (disclosure of lack of license or permit) to add out-of-state exemption holders to the list of persons who are not subject to the prohibitions in the section.

**Section 31.** Amends AS 08.04.610 (deceptive use of title or designation) to make the shift to the term, "legal entity." Amends to add persons who hold out-of-state exemptions to the persons who are not subject to the section's prohibition.

**Section 32.** Amends AS 08.04.620 (exceptions) to add, in paragraph (1), persons holding out-of-state exemptions to the persons for whom an individual without a license or practice privilege may work under certain conditions. In paragraph (3), adds an out-of-state exemption to the list of state approvals that would allow certain persons holding certificates, licenses, or degrees from a foreign country to satisfy the requirements for indicating that their public accounting services are available to the public.

**Section 33.** Amends AS 08.04.662(a) (confidential communications) to cover persons who hold out-of-state exemptions.

**Section 34.** Amends AS 08.04.680(1) to rewrite the definition of the term, "attest function," for the chapter.

**Section 35.** Amends AS 08.04.680(9). Changes the cross references in the definition of "permit" to reflect changes made in the bill.

**Section 36.** Rewrites AS 08.04.680(12) to change the definition of "principal place of business."

**Section 37.** Amends AS 08.04.680(14) to change an exception from the definition of "report."

**Section 38.** Amends AS 08.04.680 to add definitions of "compilation service," "designated function," "home office," and "out-of-state exemption" for the chapter.

**Section 39.** Repeals AS 08.04.085 (regulations regarding attest functions).

**Section 40.** Provides transitional provisions authorizing the Board of Public Accountancy to adopt regulations to implement the bill.

**Section 41.** Provides transitional provisions to indicate the effect of the bill on current permittees and practice privilege holders.

Representative Kurt Olson  
February 3, 2010  
Page 6

**Section 42.** Gives sec. 40 an immediate effective date.

**Section 43.** Makes the bill, except sec. 40, effective January 1, 2011.

If I may be of further assistance, please advise.

TLB:ljw  
10-056.ljw

## Mobility for CPAs Frequently Asked Questions

### What is mobility?

- Practice mobility for CPAs is the ability of a licensee to gain a practice privilege outside of their home state without getting an additional license in another state where they will be serving a client.

### Why is mobility important to CPAs and businesses in your state?

- Because the electronic age makes conducting business across state borders an everyday occurrence, there is a critical need for states to adopt a uniform mobility system that will allow licensed CPAs to provide services across state lines without unnecessary burdens that do not protect the public interest.

### What is being done to correct the current system?

- Prior to this initiative, each state had its own rules, regulations and requirements to allow out-of-state CPAs to provide services in that state, resulting in a patchwork system that was inefficient and increasingly difficult to navigate.
- The American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) analyzed the system for gaining practice privileges across state lines and concluded it simply was not working.
- The AICPA along with NASBA have been working with the state boards of accountancy and the state CPA societies across the country to gain a uniform interstate mobility provision through the Uniform Accountancy Act since 2007. Since that date over half of the states have enacted a uniform provision.

### What is the solution?

- Uniform adoption of the substantial equivalency provision included in the *Uniform Accountancy Act* (the model bill for CPA regulation written and endorsed jointly by AICPA and NASBA) will create a system similar to the nation's driver license that will provide CPAs with mobility while retaining and strengthening state boards' ability to protect the public interest.

### Why is a uniform mobility provision important in your state and to other states across the country?

- Compliance and enforcement of the existing system was almost impossible, with multiple, cumbersome processes and disparities in requirements. Business realities, including an increase in interstate commerce and virtual technologies require a uniform system that allows fluid practice across state lines.
- Implementation of a uniform provision would allow consumers to receive timely services from the CPA best suited to the job, regardless of location, without the hindrances of unnecessary filings, forms and increased costs that do not protect the public interest.
- Businesses today are often located in multiple states and have compliance responsibilities in multiple jurisdictions and a uniform process will give CPAs the flexibility to better serve these clients.
- This initiative is only successful if it is passed in all states. It is the "good neighbor theory" we all have to do it for one another.

### How will State Boards of Accountancy regulate CPAs operating in their state if mobility provisions are adopted?

- State Boards of Accountancy will gain automatic jurisdiction over all CPAs practicing in their state, enabling states to discipline out-of-state licenses, whether they are registered or licensed in the state.
- The substantial equivalency provision of the Uniform Accountancy Act was written jointly by NASBA and AICPA, and is strongly supported by both organizations as the best path to a uniform mobility system with enhanced public protection.

**Are states taking action to implement mobility legislation?**

- Over 40 states have adopted a CPA mobility provision.

**For More Information:**

- <http://www.aicpa.org/Legislative+Activities+and+State+Licensing+Issues/Mobility+and+State+Licensing+Issues/>.

**Is your state addressing the mobility issue for CPAs?**

- Nearly all remaining jurisdictions have indicated their support of moving towards mobility in the 2010.
- Please contact your state CPA society for additional information or AICPA's State Regulation and Legislation team:

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*Updated May 11, 2009  
AICPA State Regulation and Legislation Team*

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America Counts on CPAs™

Alaska Society of Certified Public Accountants  
Resolution 2-1-2010

WHEREAS, mobility of the certified public accountant's license provides for mobility between the 54 licensing jurisdictions in the United States of America, its territories and possessions, and serves to protect the public interest by providing a process for disciplinary procedures across the jurisdictions, and

WHEREAS, providing for simple majority firm ownership of CPA firms aligns firm-ownership requirements with the national standard set forth in the Uniform Accountancy Act and enhances fair competitive advantage between firms licensed within and outside of Alaska,

THEREFORE BE IT RESOLVED, that the Board of the Alaska Society of Certified Public Accountants supports SB 227 and HB 315.

**SUMMARY OF STATE ACTIVITY on CPA MOBILITY**  
**Updated June 2009**

State	Enacted	Effective
Alabama	May 2009	October 2009
Alaska	Legislation anticipated in 2010	
Arizona	June 2008	September 2008
Arkansas	February 2009	July 2009
California	Legislation Anticipated in 2010	
Colorado	May 2008	August 2008
Commonwealth of Northern Marianas		
Connecticut	May 2008	May 2008
District of Columbia		
Delaware	August 2008	August 2008
Florida	May 2009	July 2009
Georgia*		July 2009
Guam		
Hawaii	Legislation anticipated in 2010	
Idaho	March 2008	July 2008
Illinois	August 2007	January 2008
Indiana	May 2007	July 2007
Iowa	April 2008	July 2009
Kansas	March 2009	November 2009
Kentucky	April 2008	July 2008
Louisiana	December 2007	December 2007
Maine	June 2007	September 2007
Maryland	May 2008	October 2008
Massachusetts	HB 80	Legislation Pending
Michigan	June 2008	June 2008
Minnesota	April 2008	April 2008
Mississippi	March 2008	July 2009
Missouri	2008	2008

AICPA State Regulation and Legislation Team

**SUMMARY OF STATE ACTIVITY on CPA MOBILITY**  
**Updated May 2009**

State	Enacted	Effective
Montana	April 2009	October 2009
Nebraska	February 2009	September 2010
Nevada	April 2009	July 2009
New Hampshire	HB 256	
New Jersey	July 2008	July 2009
New Mexico	February 2008	May 2008
New York		
North Carolina	SB 647/HB 911	Legislation Pending
North Dakota	April 2008	August 2009
Ohio	1961	1961
Oklahoma	April 2009	April 2009
Oregon	SB 867	Awaiting Governor Signature
Pennsylvania		September 2008
Puerto Rico		
Rhode Island	July 2007	July 2007
South Carolina	June 2008	June 2008
South Dakota	March 2009	July 2009
Tennessee	April 2007	April 2007
Texas	June 2007	June 2007
Utah	March 2008	May 2008
Vermont	May 2009	July 2009
Virginia	January 1999	July 1999
Virgin Islands		
Washington	March 2008	June 2008
West Virginia	March 2008	June 2008
Wisconsin	April 2006	April 2006
Wyoming	March 2009	July 2009
<i>Currently Georgia and Pennsylvania law grants mobility privileges only for CPAs from states that have passed mobility.</i>		<b>Currently in Effect 29</b> <b>Effective at a Future Date 15</b> <b>TOTAL 44</b>

**SUMMARY OF STATE ACTIVITY on CPA MOBILITY**  
**Updated May 2009**

AICPA State Regulation and Legislation Team



February 4, 2010

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[Home](#) > [Legislative Activities and State Licensing Issues](#) > [Mobility and State Licensing Issues](#)

## Mobility and State Licensing Issues

- [Mobility Update](#)
- [Summary of State Activity on CPA Mobility](#)
- [Mobility Legislation Frequently Asked Questions](#)
- [Mobility Reference Materials](#)
- [Uniform Accountancy Act](#)
- [State Licensing Issues](#)
- [Mobility Implementation](#)
- [Articles](#)

There is significant momentum across the country to enact a uniform practice mobility system for certified public accountants (CPAs) and CPA firms. A majority of states are in the process of considering this concept. [View an overview of the activity.](#)

**Practice mobility for CPAs is the ability of a licensee to gain a practice privilege outside of his or her home jurisdiction without obtaining an additional license in another state where he or she will be serving a client or an employer.**

Because the electronic age makes conducting business across state borders an everyday occurrence, a *national effort* is underway to adopt a uniform system that will allow licensed CPAs the ability to provide services across state lines without being subject to unnecessary burdens that do not protect the public interest.

This uniform approach is endorsed by the AICPA and the National Association of State Boards of Accountancy (NASBA), the national organization of state boards of accountancy, through a provision in the AICPA/NASBA [Uniform Accountancy Act \(UAA\) – Fifth Edition](#). The provision specifically allows for interstate practice by CPAs whose home jurisdiction or who individually meets the UAA licensure standard.

*This provision provides the right balance of trust and public protection.* Removing notification is being coupled with automatic jurisdiction. By removing boundaries to practice in the U.S., CPAs will be able to more readily serve individuals and businesses in need of their expertise. At the same time, the state board of accountancy's ability to discipline under the provision is enhanced and is based on the CPA and the CPA firm's performance of public accounting services, either physically, electronically or otherwise within a state, rather than restricting the board's authority to only those holding a state's license.

Prior to 2007, when this national effort was undertaken, four states had already eliminated notification and added automatic consent to enforcement (Ohio, Missouri, Virginia, and Wisconsin). In both Ohio and Virginia, states that have the longest history with this concept, there is no documented lapse in public protection.

**Mobility Update**  
As of February 2010



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